



# Plumbers & Pipefitters Trust Funds

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Plumbers & Pipefitters Local No. 502 Health & Welfare Plan  
Plumbers & Pipefitters Locals No. 502 and 633 Pension Plan

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## Plumbers & Pipefitters Local No 502 & 633 Pension Fund Notice of Plan Status

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November 2016

Participants, Beneficiaries, Participating Unions, and Contributing Employers:

The Pension Protection Act (PPA or Act), signed into law in 2006 and extended by the Multiemployer Pension Reform Act of 2014 (MPRA), is intended to improve the financial condition of pension plans. The Act implemented several safeguards as well as notification requirements to share more information about a plan's "financial health" with participants and others directly related to the Plan.

Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent and correct avoidable funding problems.

Starting with the 2008 plan year, the Act requires that the Pension Plan be tested annually to determine how well it is funded. Benchmarks for measuring a plan's funding, with formal labels, were established. Plans that are in the yellow ("seriously endangered" or "endangered") or red ("critical" or "critical and declining") zones must notify all Plan participants, beneficiaries, unions, and contributing employers of the Plan's status, as well as take corrective action to restore the Plan's financial health.

In recent years, steps have been taken to bring the Plan's expense liabilities into balance with its assets. This has been done through a combination of benefit changes and increases in contributions from contributing employers. While these actions are expected to improve the financial balance over time, there is currently a shortfall that must be resolved for the Plan to comply with the Act's requirements.

### Plan's Status – Red Zone

On October 28, 2016, the Pension Fund's actuary certified that the Plan is in the red ("critical") zone for the Plan year beginning August 1, 2016. This is based on the actuary's determination that the Pension Plan is projected to have a funding deficiency (ignoring amortization extensions) on and after July 31, 2016. This means that contributions are not expected to be high enough to meet government standards for funding both past and future benefits. Despite this, the Fund should not have a problem paying benefits to current pensioners and beneficiaries. As of August 1, 2016, the Plan is projected to have sufficient assets to pay its benefit obligations for at least 30 years.

### Rehabilitation Plan

The Act requires that a plan in the red ("critical") zone adopt a Rehabilitation Plan that will enable the plan to improve its funded position to meet statutory funding requirements over time. To comply with the Act, the Plan Sponsor adopted a Rehabilitation Plan on November 22, 2013 with an effective date of January 1, 2014. Employers and unions were notified of the items that will need to be covered in new or renewed collective bargaining agreements as stated in the Rehabilitation Plan.

The Act allows a Rehabilitation Plan to eliminate or change adjustable benefits, which include:

- Plan benefits, rights, and provisions, including pre-retirement death benefits (other than qualified joint and survivor annuities), 36-month guarantees, disability benefits not yet in pay status, and similar benefits; and
- Early retirement benefit or retirement-type subsidies.

The Rehabilitation Plan adopted has changes in the benefit accrual rate, early retirement factors and normal retirement age for benefits accrued after the effective date of the Rehabilitation Plan (January 1, 2014).

Benefit reductions included in the current Rehabilitation Plan apply only to participants and beneficiaries whose benefit commencement date is after the effective date of the Rehabilitation Plan (January 1, 2014). Benefits for pensioners and beneficiaries in pay status on the effective date of the Rehabilitation Plan are not affected.

## Employer Surcharge

The law requires that all contributing employers pay a surcharge to a plan in critical status when the contribution rate in the collective bargaining agreement is less than the amount required by the Rehabilitation Plan adopted by the Trustees. All employers have already adopted such collective bargaining agreements and the contribution surcharge does not apply.

## What's Next

We understand that legally required notices like this one can create concern about the Plan's future. While the red "critical" zone label is required to be used by law, the fact is that we are working with our actuaries and consultants to monitor the Plan's condition and address Plan issues. We will take the actions necessary to improve the Fund's financial condition. However, since the Pension Plan is influenced by economic and financial variables beyond our control (such as market volatility and changes in participation and/or the number of contributing employers), unexpected developments can affect the Plan's status and any future corrective actions needed.

Details of the benefit changes in the Rehabilitation Plan are described in the Notice of Reduction in Adjustable Benefits under the Rehabilitation Plan previously sent to you. **As noted above, no benefit changes included in the Rehabilitation Plan apply to any retiree or beneficiary currently in pay status with benefits started before the effective date of the Rehabilitation Plan.**

For more information about this notice or the Pension Plan in general, contact the Pension Plan Office at the address or phone number listed at the top of this letter.

Sincerely,

Board of Trustees

*As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.*

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